ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	
Implementation of the Telecommunications Act of 1996:	CC Docket No. 96-150
Accounting Safeguards Under the Telecommunications Act of 1996	

REPLY COMMENTS OF AT&T

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September 10, 1996

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SUMMARY

The comments reveal widespread support for the Commission's proposals to apply its existing affiliate transaction and cost allocation rules, with some modifications, to the BOCs' provision of interLATA services. The BOCs retain market power, and therefore retain both the ability and the incentive to favor their competitive operations through discrimination and cost misallocation. Although the Commission's accounting rules cannot adequately prevent the BOCs from exercising that market power in the interLATA market, the rules are nonetheless necessary to detect and deter the most egregious forms of cross-subsidization. In particular, as many commenters recognize, the accounting rules do not even address the most fundamental problems: e.g., the fact that the BOCs' access charges far exceed economic cost, which would give the BOCs the ability to undertake price squeezes in the interLATA market should they be granted authority to serve that market.

Many commenters support the Commission's proposal to apply the affiliate transaction rules, in a somewhat modified form, to interLATA services provided through a separate subsidiary. The commenters agree that the Commission should require such affiliates to follow Part 32 accounting procedures, and to treat interLATA services as "nonregulated" for purposes of accounting for transactions between the BOC and the affiliate. Moreover, there is broad support for amending the rules to apply the same valuation methods to transactions involving assets and

transactions involving services, as well as for retaining the prevailing company price method (with a threshold requirement that the carrier conduct a substantial percentage of business with non-affiliates). Many commenters also support annual audits of the BOC affiliates.

Finally, the commenters generally agree with the Commission that the cost allocation rules should apply to interLATA services that the BOCs offer on an integrated basis, but there is also widespread support for ensuring that the BOCs properly impute access costs to their interLATA services by establishing appropriate price floors. In addition, the commenters support amending the rules so that all services other than local exchange and exchange access services would be treated as "nonregulated."

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REPLY COMMENTS OF AT&T

Pursuant to Section 1.415 of the Commission's Rules and its Notice of Proposed Rulemaking, FCC 96-309, released July 18, 1996 ("NPRM"), AT&T Corp. ("AT&T") submits these reply comments on the accounting safeguards that would apply to the provision of in-region interLATA services by the Bell Operating Companies ("BOCs").[1]

INTRODUCTION

The comments reveal broad support for the Commission's proposals to apply the existing affiliate transaction and cost allocation rules, with some modifications, to the BOCs' provision of in-region interLATA services. As many commenters recognize, until true local exchange competition develops, the BOCs retain market power and the ability to leverage that power into competitive markets through cost misallocation and discrimination. And, although the commenters note that the Commission's accounting rules cannot prevent the BOCs from misusing that market power, the proposed accounting safeguards,

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[1] A list of the parties filing comments and the abbreviations used to identify them is attached as Appendix A.

when combined with stringent structural safeguards, can combat the most egregious forms of cross-subsidization.[2]

What must be kept firmly in mind, of course, is that the BOCs' access charges far exceed their economic cost, which gives the BOCs the ability to undertake anticompetitive price squeezes in the interLATA market, to the extent that they are permitted to offer such services. The accounting rules proposed in this proceeding simply do not address that reality, and therefore cannot provide true protection to ratepayers or to the competitive process. Therefore, although the Commission should adopt accounting safeguards, it is critically important for the Commission to ensure that all inputs into telecommunications services, including exchange access, are offered to other carriers at economic (i.e., long-run incremental) cost.

I. THE COMMENTS CONFIRM THAT THE COMMISSION HAS AMPLE STATUTORY AUTHORITY TO ADOPT ACCOUNTING SAFEGUARDS AND SHOULD DO SO.

Most commenters agree with the Commission's tentative conclusion (¶ 6) that the existing accounting rules should apply to the BOCs' provision of in-region interLATA services, and indeed that those rules should be strengthened in some respects to combat the increased threat of cross-subsidization from BOC entry into these previously forbidden markets.[3] Nonetheless, most of the RBOCs argue that the Commission should not even apply

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[2] E.g., WorldCom, pp. 1, 2-6, 11; MCI, pp. 6-10; MoPSC, p. 3; NYDPS, pp. 10-11.

[3] E.g., WorldCom, pp. 2-6; MCI, pp. 6-10, 39; MoPSC, p. 3; NYDPS, pp. 10-11.

the existing rules, and that price caps by themselves are sufficient to protect ratepayers and the competitive process.[4]

The BOCs' claims are baseless. As AT&T has shown both here and elsewhere, accounting safeguards remain necessary. For example, under the Commission's price cap regime, there is still a sharing requirement that depends on the BOCs' rates of return, and therefore the BOCs still have ample incentives to misallocate costs. Moreover, the fact that some of the BOCs have chosen a productivity offset that has no sharing requirement is of no moment: each of those BOCs retains the option of choosing offsets with sharing in future years, and a system in which the accounting rules apply intermittently is untenable.[5] Measurement of costs also remains relevant to the determination of the productivity offset, which is periodically readjusted.

Contrary to the BOCs' claims, moreover, the fact that the Commission may adopt a moving average productivity factor is irrelevant: under such a system, productivity is still derived from the BOCs' reported costs; the periodic readjustments would simply have become annual, rather than once every three or four years. In all events, even under a pure price cap regime, the Commission would have to monitor continuously the BOCs' costs and returns to maintain the caps in rough alignment with the BOCs'

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[4] E.g., Ameritech, pp. 6-7; Bell Atlantic, pp. 5-7; NYNEX, pp. 4-8; PTG, p. 2; SBC, p. 10.

[5] See, e.g., Ameritech, p. 4 (arguing that the Commission should not apply the joint cost rules to "no-sharing price cap carriers").

costs and to prevent the BOCs from using their market power to earn exorbitant returns.[6]

In short, as long as the BOCs retain market power, no set of accounting rules will prevent the myriad forms of cost misallocation that permit the BOCs to cross-subsidize their competitive operations. The accounting rules are useful, nonetheless, in preventing the more blatant forms of discrimination and cross-subsidization, and therefore the BOCs' remarkable claims must be rejected.

II. THE COMMENTS SUPPORT THE COMMISSION'S PROPOSALS TO APPLY THE EXISTING AFFILIATE TRANSACTION RULES, WITH SOME MODIFICATIONS, TO TRANSACTIONS BETWEEN THE BOCS AND THEIR AFFILIATES.

The comments likewise provide broad support for the Commission's proposals to apply existing affiliate transaction rules, with modest, appropriate modifications, to all transactions between the BOCs and their affiliates with respect to the provision of nonregulated services.

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[6] See generally AT&T's Opposition to the Four RBOCs' Motion to Vacate the Decree, pp. 71-78 & Affidavit of B. Douglas Bernheim and Robert D. Willig, pp. 82-86, United States v. Western Elec. Co., Civil Action No. 82-0192 (D.D.C., filed Dec. 7, 1994). In addition, the BOCs will have new incentives to misallocate costs under the Act, because Section 251 requires them to charge cost-based rates for unbundled network elements. See AT&T's Comments, p. 12 n.28, in Implementation of the Non-Accounting Safeguards of Sections 271 and 272 of the Communications Act of 1934, as amended; and Regulatory Treatment of LEC Provision of Interexchange Service Originating in the LEC's Local Exchange Area, Notice of Proposed Rulemaking, CC Docket No. 96-149, FCC 96-308 (released July 18, 1996) ("BOC In-Region NPRM").

A. The Affiliate Transaction Rules Should Apply To All Services Provided By The RBOCs Through A Separate Subsidiary.

As AT&T demonstrated previously, the Commission's affiliate transaction rules, as modified in this proceeding, should apply to all nonregulated activities conducted through any RBOC subsidiary, regardless whether such subsidiary is required under Section 272.[7] Otherwise, the BOCs could effectively achieve the same cross-subsidization indirectly that they could not have achieved directly through transactions with the mandatorily separated operations, and Section 272 would be thereby undermined. Although a handful of commenters disagree, they offer no reasoned basis for applying the rules to some but not all nonregulated activities.[8] Indeed, as SBC stated, "there should be only one set of nonstructural accounting rules."[9]

The commenters broadly support AT&T's proposal to treat the BOCs' interLATA affiliates as dominant carriers that must maintain regulated books in conformance with the Uniform System

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[7] See AT&T, pp. 8-9; see also NPRM, ¶¶ 66, 90.

[8] BellSouth, pp. 46-47; SBC, pp. 38-39.

[9] SBC, p. 39. SBC also points out (p. 48) that the term "affiliate" is defined differently for purposes of Section 272 and the Commission's Part 32 rules, and that the current affiliate transaction rules would therefore not apply to all Section 272 "affiliates." Compare 47 U.S.C. § 153(33) with 47 C.F.R. § 32.9000. To the extent necessary, the Commission should amend its rules to clarify that the affiliate transaction rules apply to any BOC "affiliate" as defined under the Act.

of Accounts (USOA).[10] Application of the Part 32 accounting rules is critical to the Commission's ability to monitor and audit transactions between the BOCs and their interLATA affiliates, as the commenters recognized.[11] In addition, there is also broad agreement that the BOC affiliates' in-region, interLATA telecommunications services must be treated as "nonregulated" for purposes of accounting for transactions between the BOC and the affiliate, even if the telephone carrier operations of the affiliate are otherwise treated as "regulated."[12] Such treatment is consistent with the Commission's BOC Out-of-Region Order, and is necessary to implement Section 272(b)(2)'s requirement that all transactions between the BOC and its interLATA affiliates be "on an arm's length basis."[13]

Finally, many commenters also agree with AT&T's proposal to establish price floors for interLATA services at a

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10 E.g., CompTel, pp. 18-19; MCI, p. 33-34. See also AT&T's BOC In-Region NPRM Comments, pp. 60-66; AT&T's BOC In-Region NPRM Reply Comments, CC Docket No. 96-149, filed August 30, 1996, pp. 33-37. As AT&T noted previously, the Commission should require the BOCs' interLATA affiliates to maintain books of account in accordance with USOA regardless of whether the affiliate is considered dominant or nondominant, in order to facilitate effective monitoring and auditing. AT&T, p. 9 n.9.

11 E.g., MCI, pp. 38-39.

12 E.g., Sprint, p. 8 n.5; MCI, p. 14; CompTel, p. 10; TRA, p. 26.

13 Bell Operating Company Provision of Out-of-Region Interstate, Interexchange Services, Report and Order, CC Docket No. 96-21, FCC 96-288, ¶¶ 38-40 (released July 1, 1996) ("BOC Out-of-Region Order").

level at least equal to the BOC's access charges plus the incremental cost of the non-access portions of the service.[14] The mere imputation of access charges will accomplish little unless those rates are, as WorldCom recognizes, "included in the retail rates the RBOCs will charge to customers, so that those rates are not artificially set below the actual cost of access."[15] While such price floors can only prevent the RBOCs from undertaking the most egregious price squeezes, they are nonetheless necessary to implement the statute's imputation requirement.

B. The Commission Should Adopt Its Existing Valuation Methods In This Context With Certain Modifications.

The comments likewise confirm that the Commission should adopt its existing bookkeeping and valuation methods, with some modest modifications reflecting the unique issues presented by BOC provision of non-core services.

Imposition of GAAP. Many commenters agree that the BOCs' separate subsidiaries should be required to maintain books, records, and accounts in accordance with Part 32 USOA accounting requirements (rather than GAAP).[16] This would follow naturally from classification of the affiliate as dominant. But, in all events, the Commission should impose Part 32 rules because, as

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[14] E.g., WorldCom, pp. 15-16; PSCW, p. 12; see also AT&T, pp. 10-11.

[15] WorldCom, pp. 15-16.

[16] E.g., NARUC, p. 12 (Appendix C); MCI, pp. 17-18; WorldCom, p. 22; see NPRM, ¶¶ 68-69. The RBOCs uniformly argue for GAAP, with the exception of PTG, which opposes even GAAP. See PTG, p. 17.

NARUC states, "[t]he records of both the company and the affiliate should be readily comparable to facilitate review."[17]

Arm's Length Transactions. Both here and in the BOC In-Region NPRM proceeding,[18] AT&T agreed with the Commission's broad interpretation (NPRM, ¶ 75) of the term "transactions" in Section 272(b)(5) to include requests for telephone exchange service or exchange access, as did many other commenters.[19] Because such requests are "transactions," Section 272(b)(5) requires that they be "reduced to writing and available for public inspection." Public disclosure is necessary to monitor the BOCs' compliance with Section 272(e)(1), which requires the BOCs to fulfill such requests by an unaffiliated entity in a period no longer than that within which it provides the service to its own affiliate. In all events, although a few RBOCs erroneously take issue with the Commission's interpretation of Section 272,[20] the Commission undoubtedly has ample authority under the Communications Act to establish reporting mechanisms designed to monitor the BOCs' compliance with Section 272(e)(1)'s nondiscrimination requirements.[21]

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17 NARUC, p. 12 (Appendix C); see also AT&T, p. 12.

18 See AT&T, p. 13; AT&T's BOC In-Region NPRM Comments, pp. 27-28 (filed August 15, 1996).

19 E.g., MCI, p. 31; WorldCom, p. 25; TRA, p. ii.

20 E.g., PTG, p. 19; BellSouth, p. 25; U S WEST, p. 14.

21 See, e.g., MCI, p. 13 (analogizing such rules to the Commission's open network architecture reporting requirements).

Similarly, many commenters endorse the Commission's proposal to amend the affiliate transaction rules so that the valuation methods that currently apply only to transactions involving assets will also apply to transactions involving services.[22] The BOCs predictably protest that extending the asset valuation method to services transactions would be unduly "burdensome,"[23] but as the Commission noted in the NPRM (¶ 77), amending the rules would implement the "arm's length" requirement of Section 272(b)(5) by taking away the incentive for the LECs to buy services from their affiliates at above-market prices (and sell at below-market prices).[24] Moreover, as MCI points out, "many of the most significant examples of cost shifting through affiliate transactions have involved centralized procurement and service organizations,"[25] and that is why the Commission should prohibit all sharing of services between the BOC and its affiliate (whether in-house or jointly out-sourced).[26]

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22 WorldCom, p. 25; MCI, pp. 21-23; TRA, p. 11.

23 See U S WEST, pp. 25-26, 28; Ameritech, p. 16; Bell Atlantic, p. 8; BellSouth, pp. 2-3, 26; NYNEX, pp. 21-26; PTG, pp. 23-25; SBC, p. 37.

24 See also Amendment of Parts 32 and 64 of the Commission's Rules to Account for Transactions Between Carriers and Their Nonregulated Affiliates, Notice of Proposed Rulemaking, CC Docket No. 93-251, 8 FCC Rcd. 8071 (1993) ("Affiliate Transactions Notice").

25 MCI, p. 22; see also id. at 6-10 (discussing recent state and federal audits of incumbent LECs).

26 See AT&T's BOC In-Region NPRM Reply Comments, pp. 18-20.

Prevailing Company Prices. There is also widespread support for retaining the prevailing company price method.[27] As many commenters note, sales to non-affiliates do reflect some degree of market discipline, and are therefore superior to the LECs' internal estimates of value. Despite their general support for the prevailing company price method, however, many commenters also agree with AT&T that the Commission should clarify that the method is available only if the affiliate sells a substantial percentage of that product line to non-affiliated customers.[28]

On the other hand, the comments offer no support for the Commission's proposal to allow LECs to adjust the prevailing company price for differences in "marketing efforts and transactional costs." See NPRM, ¶ 80. As other commenters recognize, such a rule would be squarely inconsistent with the requirement that all transactions between the BOC and its affiliates be conducted "on an arm's length basis."[29]

Fair Market Value. The commenters generally support the Commission's proposal to require good faith estimates of fair

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27 E.g., Sprint, pp. 12-13; Bell Atlantic, p. 9; BellSouth, pp. 30-31; GTE, pp. 5-7; NYNEX, pp. 26-28; PTG, pp. 27-28; SBC, pp. 30-34; U S WEST, p. 17; APCC, pp. 27-28.

28 See, e.g., Sprint, p. 13 ("Sprint agrees that in cases where an affiliate does not operate in a competitive market or there are few non-affiliate transactions, outside sales cannot reliably be used to establish market value"); see also MCI, p. 24 (noting its prior support for this proposal in response to the Affiliate Transactions Notice).

29 See Section 272(b)(5); WorldCom, p. 26 ("affiliate transactions conducted on an arm's length basis should entail the same marketing efforts and transaction costs that are encountered in sales to non-affiliates").

market value, but many commenters echo AT&T's concerns that such estimates must be accompanied by adequate documentation that would facilitate verification and auditing.[30] As both WorldCom and MCI note, trusting the BOCs to make their own estimates of fair market value "will only give [them] significant cover and leeway to shift costs and discriminate."[31] Indeed, the RBOCs and USTA predictably resist such disclosure, and U S WEST astonishingly opposes even a "good faith" requirement.[32] For these reasons, the Commission must, at a minimum, apply the criteria proposed in paragraphs 83-85 of the NPRM, as well as require appropriate public disclosure of the BOCs' chosen methodologies.

Auditing. Finally, the commenters recognize that the Commission should continue to require annual audits of the BOCs, as currently provided under the Commission's rules.[33] Although Section 272 requires that a Federal/State audit occur at least every two years, the Commission has ample statutory authority to require, as it currently does, annual audits to monitor compliance with the affiliate transaction rules.[34] In addition, several commenters correctly point out that the Commission should

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30 E.g., WorldCom, pp. 26-27; MCI, pp. 24-25.

31 WorldCom, p. 27; see also MCI, p. 25.

32 U S WEST, p. 28.

33 See 47 C.F.R. § 64.904; MCI, p. 37.

34 The biennial statutory audit could be combined with that year's regularly scheduled cost allocation manual audit. See, e.g., PTG, p. 31; Ameritech, p. 25.

conduct the first Section 272 Federal/State audit shortly after a BOC gains interLATA authority.[35] As CompTel notes, this is necessary so that two full audits can be conducted before the Commission makes a decision concerning whether the requirements of Section 272 should "sunset" pursuant to Section 272(f)(1).[36]

III. THE COMMENTS REFLECT WIDESPREAD SUPPORT FOR RULES GOVERNING THE BOCS' PROVISION OF INTERLATA SERVICES ON AN INTEGRATED BASIS.

The commenters likewise generally agree that the Commission should establish rules governing the BOC's provision of interLATA services on an integrated basis.[37] In particular, the commenters support the Commission's proposal (NPRM, ¶ 39) to apply the existing cost allocation rules to such services and to treat such services as nonregulated for purposes of the accounting rules.[38] Indeed, as a number of commenters point out, the Commission should treat all integrated services other than local exchange and exchange access as "nonregulated."[39] Such treatment would decrease the likelihood that the BOCs' costs

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35 E.g., CompTel, p. 17 (six months after interLATA authority granted); MCI, p. 37 (one year after interLATA authority granted).

36 CompTel, p. 17.

37 Such services may include out-of-region and "incidental" interLATA services. See Sections 271(b)(2), (b)(3), and (g).

38 See NPRM, ¶ 39; WorldCom, p. 15; TRA, p. 26; MCI, p. 14; CompTel, p. 10; GSA, p. i.

39 MCI, p. 14; WorldCom, p. 13; CompTel, p. 10; GSA, p. 1; TRA, pp. iii, 26.

would be improperly assigned to the bottleneck local exchange and exchange access service categories. To facilitate auditing, the Commission should require all long distance costs to be identified in separate sub-accounts within the nonregulated category.[40]

The Commission should therefore reject the BOCs' argument that the current rules are sufficient to guard against improper cross-subsidization.[41] The BOCs would treat integrated interLATA long distance services as "regulated," which would exempt those services from the cost allocation rules altogether. Instead, those costs would flow through the jurisdictional separations process and would be subject only to the interexchange basket price cap.[42] But, as the Commission correctly recognizes, relying only on "price caps and tariffing requirements [to] protect ratepayers"[43] would not adequately combat the threat of "improper subsidization" posed by the BOCs' provision of these new services.[44]

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40 E.g., WorldCom, p. 13; MCI, p. 14.

41 See Ameritech, p. 20; SBC, pp. 20-22, 41-42; USTA, p. 20; NYNEX, p. 14; PTG, p. 11.

42 E.g., Ameritech, p. 20; PTG, p. 11; SBC, pp. 20-22.

43 SBC, p. 21.

44 NPRM, ¶ 39. Indeed, an example of such cross-subsidization, as AT&T has elsewhere demonstrated, is that some BOCs have improperly distributed overstated sharing amounts to the interexchange basket in recent years. By failing to include EUCL revenues in the base period common line basket revenue and in the base period total interstate revenue, Bell Atlantic and PTG improperly distributed their 1995 sharing amounts, which resulted in an overstated sharing amount of

(continued...)

The commenters similarly support the Commission's proposal to implement Section 272(e)(3)'s imputation requirement by requiring the BOCs to record the imputed access charges as an expense, which would be assigned to nonregulated activities with a credit to the regulated exchange access revenue account.[45] As AT&T has demonstrated elsewhere, and as the commenters agree, the BOC must impute to itself the highest applicable tariffed rate for the relevant service.[46] And the Commission should establish price floors at a level at least equal to the amount of the access charge plus the incremental cost of the non-access portions of the service.[47]

Finally, a number of commenters agree that there must be an exogenous downward adjustment to the BOCs' price cap indices to reflect the reclassification of network plant from

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[44] (...continued)
$666,556 allocated to their interexchange baskets. 1996 Annual Access Tariff Filings, Petition of AT&T Corp., pp. 24-26 (filed April 29, 1996). In fact, several LECs have used this inappropriate methodology since 1993. See 1993 Annual Access Filings, CC Docket No. 93-193, Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation, 8 FCC Rcd. 4960, 4966, 4973-74 (1993); 1994 Annual Access Tariff Filings, CC Docket No. 94-65, Memorandum Opinion and Order Suspending Rates, 9 FCC Rcd. 3705, 3715 (1994); 1995 Annual Access Tariff Filings of Price Cap Carriers, Memorandum Opinion and Order Suspending Rates, 78 RR2d 1231, 1242-43 (1995).

[45] See NPRM, ¶ 41; WorldCom, p. 15.

[46] AT&T's BOC In-Region NPRM Comments, pp. 39-40; WorldCom, p. iii; TRA, pp. iii, 26.

[47] See WorldCom, pp. 15-16; PSCW, p. 12; AT&T, p. 19.

regulated to nonregulated.[48] In this regard, some RBOCs erroneously contend that such an exogenous adjustment is inappropriate because network investment is treated as endogenous under the price cap system.[49] On the contrary, any plant investment undertaken by the BOCs since 1990, when price caps were instituted, would have had the effect of reducing the BOCs' reported regulated return on their ARMIS reports, thus likely reducing or eliminating altogether those BOCs' sharing obligations. In addition, the network investments that LECs have made since 1990 have directly impacted the revised productivity offsets that the Commission adopted for price caps as of July 1, 1995, which were based on LEC efficiencies in regulated operations. Because post-price cap network investments have impacted the productivity offset, such investments have continued to impact LECs' regulated prices.

Therefore, an exogenous adjustment is necessary and should be made at the higher of undepreciated baseline costs plus interest at the authorized interstate rate of return or fair market value.[50] Such treatment would reflect the fact that ratepayers should not have borne the costs of these networks that were upgraded in anticipation of BOC entry into the interLATA market.

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[48] See NPRM, ¶ 123; MCI, p. 35; Sprint, pp. ii, 15; TRA, p. 9; GSA, p. 8.

[49] E.g., Ameritech, pp. 9-10; PTG, p. 37; Bell Atlantic, pp. 10-11.

[50] See AT&T's BOC In-Region NPRM Comments, p. 46 n.39.

CONCLUSION

For the foregoing reasons, the Commission should implement its proposed accounting safeguards, modified and expanded as suggested above and in AT&T's Comments.

Respectfully submitted,

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September 10, 1996

APPENDIX A

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CC Docket 96-150

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Cincinnati Bell Telephone Company ("CBT")

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Florida Public Service Commission ("FPSC")

General Services Administration ("GSA")

GTE Service Corporation and its affiliated domestic telephone operating, long distance and wireless companies ("GTE")

Kiesling Associates LLP ("KA")

LDDS WorldCom ("WorldCom")

MCI Telecommunications Corporation ("MCI")

Missouri Public Service Commission ("MoPSC")

National Association of Regulatory Utility Commissioners ("NARUC")

National Newspaper Association ("NNA")

New York State Department of Public Service ("NYDPS")

Newspaper Association of America ("NAA")

The NYNEX Telephone Companies ("NYNEX")

Pacific Telesis Group ("PTG")

The Puerto Rico Telephone ("PRTC")

SBC Communications, Inc. ("SBC")

Sprint Corporation ("Sprint")

Telecommunications Resellers Association ("TRA")

U S WEST, Inc. ("U S WEST")

United States Telephone Association ("USTA")

Voice Tel

Public Service Commission of Wisconsin ("PSCW")

Yellow Pages Publishers Association ("YPPA")

CERTIFICATE OF SERVICE

I, James P. Young, do hereby certify that a true copy of the foregoing Reply Comments of AT&T Corp. was served this 10th day of September, 1996, by United States mail, first class, postage prepaid, upon the parties listed on the attached Service List.

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